



P A C K P L A C E
E D U C A T I O N , A R T S & S C I E N C E C E N T E R

March 2, 2011

To: Members of Asheville City Council and City Manager Gary Jackson

From: Karen Tessier, Chair, Pack Place Education, Arts & Science Center
Board of Trustees

Re: Urgent Pack Place HVAC Needs

Dear Members of Council and City Manager Jackson,

I am writing on behalf of the Pack Place board of trustees, the in-facility partner museums, including the Asheville Art Museum, The Health Adventure, Diana Wortham Theatre, and the Colburn Earth Science Museum, to request the City of Asheville's consideration of assistance with current critical HVAC needs. A long-standing cultural and civic institution that serves several hundred thousand children and patrons annually, Pack Place is immediately facing necessary replacement of costly HVAC equipment in order to continue operation. What follows is an overview of the situation/needs, recent board actions in this regard, cost estimates and potential funding strategies, facility history and economic benefits of the institution to the city, county and citizens regionally.

Situation/Needs:

- Due to a capital campaign funding shortfall in 1992, when Pack Place opened, the board opted to install a "used" HVAC system to save money. A redundant system, two chillers and two water towers, was purchased to insure continual operation of the facility should one system break down. The good news is that Pack Place has operated on used equipment for almost 19 years. The bad news is that after many years of "Band-Aid" repairs and remedies, one system is completely defunct and the other is on its last leg. We no longer have any redundant or fail-safe operating system. We have been advised that the only remaining system is in critical condition and could shut down at any time.
- In late summer 2010, due to very warm weather, the remaining system broke down. Pack Place was forced to shut its doors for a week while repairing the system as best we could. But it remains in jeopardy.

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- Partner museums and their patrons have appealed to the board for several years for resolution of uncommon, uncomfortable temperature ranges and more consistent HVAC operation. Maintenance and repair expenses have consistently escalated.
- The Asheville Art Museum is bound by its agreement with visiting exhibitions to provide established humidity levels. These are no longer attainable with the current equipment. There are financial liabilities associated with any potential damage to traveling or existing pieces as a result. The museum's ability to garner significant collections is threatened. Art Museum staff is currently operating several make-shift or temporary humidifiers in an attempt to satisfy requirements. Staff must work excess hours to manage this small equipment by hand.
- Three years ago, the Pack Place board and partners anticipated that the facility would have completed a major renovation by 2011. The Health Adventure expected to complete its Momentum Project and move out. The Asheville Art Museum and Wortham Center expected to complete their new facilities redistributing institutional space and replacing failing HVAC systems with new equipment. With the recession, it was not possible for the Health Adventure and other museums to move forward with their plans as projected. The Pack Place board of trustees now believes that it could be 3 – 5 years before the museums can raise the necessary monies and complete their new facilities, and that Pack Place must continue to operate efficiently and effectively in the interim.
- In fall, 2010, the Pack Place trustees requested an equipment audit and plan from Control Specialties of Asheville which has been providing service on the declining equipment for several years. Control Specialties donated the work and provided a long analysis and recommendation for urgently needed new equipment.
- A volunteer task force, including Karen Tessier, Pack Place chair; Heather Nelson, Pack Place executive director; Jim Cacowski, Pack Place maintenance supervisor; local architect John Rogers, original Pack Place architect and trustee Barbara Field; Henry Watts, Beverly Grant, representatives from Diana Wortham Theatre and other Pack Place executive committee members, have been meeting for months to provide oversight and counsel toward this effort.

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- In December 2010, at the advice of the task force, the Pack Place trustees voted to spend up to \$20,000 from “Repair & Reserve” funds available from our combined endowments at the Community Foundation of WNC to hire Altieri architects and Sutton-Kennerly Engineering to analyze and outline a specific scope of HVAC work. We expect to put this scope out to bid in the next few weeks, with the board of trustees requiring three bids.
- The board has directed that the HVAC work should satisfy the long-term renovation plans of our museum partners and are in keeping with their and the overall facility’s operational and financial projections. We intend that the current investment in new equipment will secure the 15 – 20 years of operation.
- It is the commitment of the Pack Place board and partner museums that any new equipment and operating systems should be as environmental responsible, energy saving and financially efficient as possible. We anticipate saving over previous utility expenditures.
- Current plans call for a 10+ week time line to order, receive and install the new equipment. The board must have its funding in place before any contracts can be let.
- The Pack Place board has discussed committing up to \$90,000 or 75% of our available resources to this repair and replacement. The total available Repair and Reserve fund balance is approximately \$130,000. Given that Pack Place must operate over the next 3-5 years and that other needs, such as roofing, must be met, we are concerned about committing every resource we have toward the HVAC system. As a group, we feel it is both prudent and necessary to hold some monies for repairs that may be needed in the next few years. With an expected HVAC cost of up to \$300,000, our contribution will not equal even half of what is needed. We are reaching out to our community partners for assistance.
- Pack Place recognizes that we are in a crisis situation that must be remedied before the heat of summer taxes the system into complete failure. We do not want to close down the facility or its partner museums.

PACK PLACE HVAC BUDGET – DRAFT

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Total Costs:

Engineering/Architect/Energy Audit	\$ 20,000
Structural Enhancement – Roof	\$ 15,000
Equipment/Installation	<u>\$249,000</u>
Total:	\$284,000

These costs are still estimates. Discussion is ongoing about exact tolerances and capacity. Potential for over/under of approximately 10%.

Revenue Sources:

Pack Place	\$ 90,000 *
Partner Contributions	???? **
City/County Support	<u>\$194,000</u>
Total:	\$284,000

Annual Energy Savings Projections:

AltieriSeborWeiber, our current engineers/architects, have reported that new model shows that an annual savings on the order of \$10,000/year can be anticipated for the new system. The energy savings attributed to the chiller plant will be greater than 30% and the savings for the overall energy use for Pack Place will be around 7.5%.

- * The contribution from Pack Place will substantially deplete the Repair and Reserve Funds and leave Pack Place exposed to future needs such as roof repair, and other aged equipment failure.
- ** Partners utilizing the HVAC system are Asheville Art Museum, Health Adventure, Diana Wortham Theatre and Colburn Earth Science Museum. There is some opportunity for limited contribution from partners, but this will impact the ability of the partners to deliver their core mission and achieve their growth objectives.

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The Community Foundation of Western North Carolina holds four funds for the benefit of Pack Place Education, Arts & Science Center

Pack Place Repair Reserve Fund:

Established 1997

Current Balance: \$86,770.69

Purpose: For replacement and major repair of Pack Place real property, including equipment and improvements. Major repair defined as a non-budgeted item costing \$1,000 or more (indexed for inflation) with useful life and of at least five years. Current value for eligible projects is \$1,295.00

Terms: This fund is not an endowment. It is invested in a money-market vehicle and is not subject to investment gains or losses.

Pack Place Capital Endowment Fund:

Established 1995

Current balance: \$52,159.71

Purpose: To provide funding from the income of the fund for replacement and/or major repair of Pack Place real property, including equipment and improvements costing \$5,000 or more, indexed for inflation, currently equal to or greater than \$6,465.00.

Terms: Spendable income transferred annually to the Repair Reserve Fund.

Principal may be distributed with 2/3 majority approval of the Pack Place board and approval of the CFWNC board. Principal distributions must be used for replacement and/or major repair of Pack Place real property.

Pack Place Permanent Endowment Fund:

Established 1997

Current balance: \$264,532.08

Purpose: To provide funding from the income of the fund for replacement and/or major repair of Pack Place real property, including equipment and improvements.

Terms: Spendable income transferred annually to the Repair Reserve Fund.

No distribution of principal except in case of the dissolution of CFWNC.

Roger McGuire Memorial Fund:

Current balance: \$50,431.96

Purpose: To provide funding for operating support.

Terms: Spendable income transferred annually to Pack Place's operating account. No distribution of principle except in case of the dissolution of CFWNC.

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CITY OF ASHEVILLE RELATIONSHIP TO PACK PLACE THROUGH BONDS:

- 1) City voters approved the issuance of \$3.0 million in general obligation (GO) debt for the Pack Place Education, Arts & Science Center on September 23, 1986.
- 2) The City actually issued the \$3.0 million in debt in December 1988. The Pack Place debt issuance was combined with the issuance of \$5.4 million in street and sidewalk GO bonds that had also been approved by the voters, so the total debt package that was issued in December 1988 was for \$8.4 million. The loan term was 20 years at an interest rate of roughly 7.0%.
- 3) In July 1993, the City took advantage of a lower interest rate environment to refinance several of its outstanding debt issuances, including the \$8.4 million that was issued in December 1988 for Pack Place and streets & sidewalks. The total debt package issued in 1993 was for \$11.5 million. The loan term was 15 years at an interest rate ranging from 4.0% to 4.8%. The final payment on this debt was made in fiscal year 2007-08.
- 4) Because the Pack Place debt was always combined with other debt issuances, there is no debt schedule that I can send you that would show the amount of the annual payments on Pack Place alone. Also, the 1993 refinancing was structured with a variable interest rate and varying principal payments (as opposed to flat principal payments) so the payments over the life of that loan fluctuated from year-to-year. What I can tell you is that in looking at the final year's payment on the 1993 bond refinancing; I estimate that the amount that went toward the Pack Place debt was about \$180,000. I hope this helps. Please let me know if you have any questions or need more information.

Tony McDowell
Budget Manager
City of Asheville
828-259-5635

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PACK PLACE EDUCATION, ARTS & SCIENCE CENTER, INC.

History

1982 – The Asheville Junior League and the NC Arts Council commissioned an Asheville Cultural Action Plan.

1984 – The Plan was broadened to include revitalization of the City's inner core and redevelopment of Pack Square. A federal grant was received for formalization and development of the Plan.

1985 – A revival of the Pack Library and the Plaza Theater were added to the Plan and the City secured both properties by gift after extensive negotiation. The City later initiated a 10-year \$1.00 lease to Pack Place.

1986 – City voters approved a \$3 million bond issue by a 2:1 vote with the City assuming bond issuance and debt retirement costs.

1987 – Private gifts and grants totaling \$3.5 million and a NC General Assembly appropriation of \$3 million were received for the Pack Place project.

1987 – The Plaza Theater renovation came into question when the structure was found to not meet Fire and Building codes. After problems associated with the Plaza's Historic Property designation were mitigated, the Theater was demolished. Artifacts discovered and architectural design for the replacement portion of the Pack Place project caused a one year delay.

1988 – Replacement of the Plaza Theater structure resulted in a new, expanded vision for the Pack Place project and increased square footage by 43% from 64,000 to 92,000. The construction budget increased by \$2.2 million and fiscal scenarios were developed to allow the project to continue. County funds allocated to the City via the Arts Subsidy provision of the Buncombe County Water Agreement would be diverted to Pack Place when the Asheville Art Museum and Colburn Mineral Museum relocated from the Civic Center to Pack Place.

This \$450,000 +/- County commitment for annual operating subsidy allowed a re-budgeting of \$2 million for endowment, \$1.3 million for exhibits, \$500,000 for YMI renovation and \$10.2 million for construction. The project advanced with a \$14 million

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budget. Both the City and County would benefit from this expanded scope in the form of ad valorem tax base increase of adjacent property and new business activity supporting the revitalization.

Creation of a state-of-the-art Performing Arts Theater (Diana Wortham Theatre) and expanded floor space for the member Museums enabled by the new design provided impetus for a renewal of the private fundraising campaign yielding \$6.5 million. Hundreds of businesses and individuals now had a stake in Pack Place and it resulted in *the largest fund raising project in Buncombe County and City of Asheville, which took seven years to accomplish.*

1989 – Construction bids were let, received and negotiated. Construction began in June.

1992 – On July 4th Pack Place opened to the public with much fanfare and became the centerpiece of downtown!

Pack Place Today

Member Organizations (Partners):

- Asheville Art Museum
- Colburn Earth and Science Museum
- Diana Wortham Theatre
- The Health Adventure
- YMI Cultural Center
- Pack Place Education, Arts & Science Center

According to the terms of the Plan of Agreement, Pack Place provides heating, air conditioning, lighting, janitorial services, telephone system access, public liability insurance and other operating expenses to the Partners at no charge to them. The Partners operate in this facility “rent free”, but when Pack Place has a significant deficit, we TRY to access them according to square footage their portion of this deficit. This is not easy and payment is not forthcoming in many instances.

The City has now retired their debt service of the bonds.

We continue to have a lease agreement with the City for the property, which is renewable every ten years for \$10.00 a year. The next renewal date will be in 2014.

Buncombe County has funded Pack Place since the beginning of operation in 1992 with an annual subsidy/grant. Their contribution has been as follows:

- 1992-93 – \$450,00
- 1994-2000 – \$400,000
- 2001 – it was “slashed” to \$0 but reinstated to \$300,000

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- 2001-2005 - \$300,000
- 2006 -07 – \$400,000
- 2008 – the County took over maintenance & janitorial equaling \$552,575
- 2009 – the County “stepped out” of the above duty and gave us the equivalent of \$475,000, paying the utility bills under their own contractual accounts and the rest was turned over to Pack Place for other operating expenses.
- 2010 – \$430,000 with the same arrangement as above
- 2011 will most likely be reduced by @ \$40,000
- 2003 – The Pack Place Board of Trustees established an Ad Hoc Governance Committee. Its charge was to consider and recommend the use of available space in Pack Place following The Health Adventure's announcement of a search for a new site. By the end of this committee's deliberations, it was established that once the Health Adventure moved, the Asheville Art Museum would reconfigure and renovate the Health Adventure's space along with space within Pack Place's public space. As a result of this renovation also, the Diana Wortham Theatre will need a new entrance. All Partners agreed with a resolution stating such.
- 2004-2011 – The Board of Trustees and a separate Transition Committee have gone through numerous scenarios of what Pack Place could “look like” after the transition is complete. As it stands, we all know that raising funds to complete these wonderful projects is in “active stall” and nothing has been completely resolved.

Pack Place has four funds established at the Community Foundation of Western North Carolina:

- Pack Place Permanent Endowment Fund
- Pack Place Capital Endowment Fund
- Roger McGuire Memorial Endowment Fund
- Pack Place Repair Reserve Fund

Pack Place's budget hovers around \$600,000. Other revenues come from a few contributions and gifts, ticket selling fees from the Partners, public space rentals, office space rentals plus an annual raffle that makes around \$10,000.

Pack Place is overhead intensive! As a result of that, we've had to eliminate several positions and pare down our budget. Now we have one full time employee, the Business Manager (45 hours per week), plus a Facility Manager (20-25 hours per week), a Custodial Services Manager (40 hours per week) and a Director of Visitor Services (35 hours per week). These folks have several others working under them any where from 8 to 25 hours per week.

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Pack Place is now close to being 20 years old. Equipment and the physical structure are getting older. We are constantly making repairs. But it still continues to be the pivotal corner of downtown Asheville as we *“provide opportunities where the arts, education and entertainment meet and thrive, to enrich the life of our community”*.

Economic Benefits of Pack Place

Past:

Pack Place was an essential ingredient in the re-vitalization of downtown Asheville. Located at the historic intersection of Biltmore Avenue with Patton Avenue, facing the Vance Monument, Pack Place was the fundamental catalyst for the development that followed. At the time Pack Place opened in 1992, much of downtown Asheville was boarded and vacant. The only restaurant in the area was Café on the Square, which had only recently opened at the former location of an adult bookstore. There were very few occupied buildings on Biltmore Ave between Pack Place and the intersection of South Charlotte Street.

Since 1992, Pack Place has been the center piece of the exponential growth which has taken place all around it. Where there was one restaurant in the area at the time Pack Place opened, there are now twenty restaurants within one block. Studies show that taxable property values around Pack Place increased, on average, twenty one times the original value from 1986 to 2009, with an average increase of thirty percent (30%) in value each year for the last ten years. The initial investment in Pack Place has been repaid many times over from increased tax revenues over the past twenty years.

Present:

The growth within Pack Place continues from year to year, and all the partners are operation at close to maximum capacity. For instance, the Diana Worthman Theater had a total attendance in the past year of 47,411 theater goers, and the Asheville Art Museum welcomed 68, 225 onsite visitors. Each of those visitors to Pack Place represents someone who may need to be fed, to be housed, or simply pay for parking.

The activity continues to generate economic benefits for all of downtown, including in particular the area around Pack Place. It should not be overlooked, in addition, that more than 100 people are employed at Pack Place, either as employees of Pack Place itself or one of the Pack Place partners. Most of these jobs are which are not duplicated anywhere else in our community. The Pack Place Partners contribute directly to the economic activity. A study commissioned by the Asheville Art Museum showed that the Museum generated \$2.7 million in local spending. The Pack Place Partners continue to do more than their share to contribute to the economic vitality.

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Future.

The completion of Park Square Park at Pack Place's doorstep simply enhances the value of Pack Place in the future of downtown Asheville. Plans for substantial expansion and improvements within Pack Place represents new investment and an even higher level of activity by Pack Place Partners.

In closing, all of the partners, trustees and staff recognize that the failure of the HVAC equipment has created a crisis situation. The City of Asheville owns the land on which Pack Place sits and has been a vital partner in creating this important civic facility from the outset. We hope you will join with us now to put the center is working order for all of our community.

Please feel free to contact me at 828-231-6268 or ktessier@mktconnections.com with any questions you might have.

Sincerely,

Karen Tessier

Karen Tessier
Chair

Cc: Bill Russell, Michael Andry, Tina McQuire, Edward Hay, Heather Nelson